GREECE

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Key Economic Indicators

(Millions of U.S. Dollars unless otherwise indicated)

	1996	1997	1998 1/
Income, Production and Employment:			
Nominal GDP 2/	109,500.0	105,600.0	106,260.0
Real GDP growth (pct) 3/	2.7	3.5	3.5
GDP by Sector:			
Agriculture	9,830.0	8,960.0	9,020.0
Manufacturing	26,230.0	25,130.0	25,240.0
Services	73,440.0	71,510.0	72,000.0
Government	10,600.0	10,130.0	10,000.0
Per Capita GDP (US$)	11,720.0	11,428.0	11,398.0
Labor Force (000s)	4,318.0	4,294.0	4,315.0
Unemployment Rate (pct)	10.3	10.3	10.1
Money and Prices (annual percentage growth):			
Money Supply Growth (M3 Dec)	9.3	9.6	4.0
Consumer Price Inflation	8.2	5.5	4.8
Exchange Rate (DRS/US$ annual average)			
Official	240.7	273.1	290.5
Parallel	N/A	N/A	N/A
Balance of Payments and Trade:			
Total Exports FOB 4A/	11,300.0	10,934.0	11,500.0
Total Exports FOB 4B/	5,770.0	5,372.0	5,000.0
Exports to U.S. 4C/ 5/	506.0	453.0	161.0
Total Imports CIF 4A/	27,222.0	25,560.0	27,000.0
Total Imports CIF 4B/	24,135.0	23,643.0	22,000.0
Imports from U.S. 4C/ 5/	825.0	949.0	425.0
Trade Balance 4A/	-15,922.0	-14,626.0	-15,500.0
Trade Balance 4B/	-18,365.0	-18,271.0	-17,000.0
Balance with U.S.	-319.0	496.0	N/A
External Public Debt	30,780.0	31,500.0	32,500
Fiscal Deficit/GDP (General Government) (pct)	7.5	4.0	2.2
Current Account Deficit/GDP (pct)	3.7	4.0	4.1

Debt Service (Public Sector) Payments/GDP (pct)	5.5	5.9	6.2
Gold and Foreign Exchange Reserves	19,177.0	13,337.0	18,000.0
Aid from U.S.	N/A	N/A	N/A
Aid from All Other Sources	N/A	N/A	N/A

1/ 1998 figures are all estimates based on available monthly data in November.

2/ GDP at factor cost.

3/ Percentage changes calculated in local currency.

4A/ Merchandise Trade; National Statistical Service of Greece; Customs Data.

4B/ Trade; Bank of Greece data; on a settlement basis. The Bank of Greece data, especially those on exports, underestimate true trade figures since exporters are no longer obliged to deposit their export receipts in Greece. The Bank of Greece is preparing a new set of accounts (to be ready at the end of 1998) to be in line with other EU central banks.

4C/ U.S. Department of Commerce. U.S. exports and general imports, customs value.

5/ January-April 1998 data.

1. General Policy Framework

Greece has been a member of the European Union (EU) since 1981. Its economy is segmented into the state sector (estimated at 45 percent of GDP) and the private sector (55 percent of GDP). It has a population of 10.6 million and a workforce of about 4 million. Some of Greece's economic activity remains unrecorded. (Estimates of how much of the economy remains unrecorded vary, due, at least in part, to deficient data collection). The moderate level of development of Greece's basic infrastructure -- road, rail, telecommunications -- reflects its middle-income status. Per capita GDP is $11,398, the lowest in the EU. However, with GDP growth well above the EU average, this gap is slowly closing.

Services make up the largest and fastest growing sector of the Greek economy, accounting for about 70 percent of GDP (including government services). Tourism, shipping, trade, banking, transportation, communications, and construction are the largest service sub-sectors. Greece is an import-dependent country, importing substantially more than it exports. In 1997, imports were $25 billion while exports were only $10.9 billion. A relatively small industrial base and lack of adequate investment in the last 15 years have restricted the export potential of the country. As a general trade profile, Greece exports primarily light manufactured and agricultural products, and imports more sophisticated manufactured goods. Tourism receipts, emigrant remittances, shipping receipts, and transfers from the EU form the core of Greece’s invisible earnings. Substantial funds from the EU (about $20 billion) are allocated for major infrastructure projects (road and rail networks, ports, airports, telecommunications etc.) being built over the period 1994-99. About 70 percent of these funds have been utilized to date. Greece may get another EU structural funds package beyond 1999, but official decisions on this remain to be taken. Greece will undertake a number of infrastructure projects to host the 2004 Summer Olympic Games, although some were already underway.

The government is in its fifth year of an austerity program designed to meet the Maastricht Treaty's convergence criteria for the European Monetary Union (EMU). Greece failed to meet the criteria in 1997 to enter EMU in 1999; it aims to join the EMU on January 1, 2001, based on 1999 economic performance. The results of the convergence program on the economy have been generally positive. The drop of inflation to 4.7 percent on an annualized basis in October raised hopes that the 4.8 percent annual average inflation for 1998 can be surpassed. Investment and consumer confidence remain strong and the growth of GDP in 1998 is projected to be around 3.5 percent, unchanged from 1997. Unemployment, which stood at 10.3 percent in 1997 is projected to drop to 10.1 percent in 1998. By the end of 1997, as a result of a fiscal policy focused on expanding revenue collection, the government budget deficit to GDP ratio had fallen to 4 percent, better than the 4.2 percent originally planned. However, real progress in reducing public expenditures has been limited due to continued opposition to structural reforms by labor unions, professional associations, politicians, and the media.

Greece's huge government debt (108.9 percent of GDP or 127.3 billion U.S. dollars in 1997) stems to a great extent from government acquisition of failing enterprises and a bloated public sector. Greece's social security program has also been a major drain on public spending. Deficits are financed primarily through issuance of government securities.

Monetary policy is implemented by the Bank of Greece (the Central Bank). The Bank uses the discount and other interest rates in its transactions with commercial banks as tools to control the money supply. The government continues to retain privileged access to credit via the still low-taxed status accorded to government debt obligations (which includes the right of Greek residents to purchase government debt obligations without having to declare their source of income to the tax authorities). Treasury bills and state bonds are issued by the Ministry of Finance but they are expected to comply with the monetary targets set by the Bank of Greece.

2. Exchange Rate Policy

Foreign exchange controls have been progressively relaxed since 1985. Medium and long-term capital movements have been fully liberalized. Most restrictions on short-term capital movements were lifted in 1994. Remaining restrictions on short-term capital movements were lifted on August 1, 1997, although some controls still exist to facilitate enforcement of money laundering laws and tax collection. Greece's foreign exchange market is now in line with EU rules on free movement of capital.

From 1994 to March 14, 1998, Greece applied a so-called “stable drachma policy” aimed at preventing the drachma from depreciating against other EU currencies by as much as inflation differentials would naturally dictate. The “stable drachma policy” was the main tool used to bring the double digit inflation of the 1980’s and early 1990’s under control. This has had an adverse impact on the country's export potential. The drachma was included in the EU Exchange Rate Mechanism (ERM) on March 16, following a 12.3 percent devaluation on March 14, 1998, and a commitment to the EU Monetary Committee that the Greek Government would speed up structural reforms and meet the EMU entry criteria by the end of 1999. The drachma will participate in the ERM-2 as of January 1, 1999 at the same central rate (357 drachmas equal one euro) and terms (plus/minus 15 percent of the central rate) set at the time of the drachma’s inclusion in the ERM on March 16, 1998.

3. Structural Policies

Greece's structural policies are largely dictated by the need to comply with the provisions of the EU Single Market and the Maastricht Treaty on Economic and Monetary Union. The 1994-99 Convergence Program, designed to enable Greece to comply with the Maastricht Treaty criteria, set targets that should encourage significant structural reforms, including privatizations. Progress in this area, however, has been limited. The Convergence Program itself has been revised twice. After privatizing a few small banks and the Hellenic Duty Free Shops, the government sold minority stakes in the Hellenic Telecommunications Organization (35 percent currently traded in the market, both domestically and internationally), the National Bank of Greece, and in Hellenic Petroleum, the state petroleum distributor. The government has a plan stretching until the end of 1999 to privatize or sell minority stakes in public sector enterprises and organizations including Ionian Bank, Olympic Airways Catering, the Athens Stock Exchange and the three remaining industries currently under the supervision of the state Industrial Reconstruction Organization (IRO). Restructuring the operations of the public sector (i.e., elimination of unnecessary activities/entities, changes in the labor and social insurance regimes) are also at the top of the Greek Government's agenda.

Pricing Policies. The only remaining price controls are on pharmaceuticals. The last change in pharmaceutical prices in December 1997 inhibited imports of some U.S. pharmaceuticals. The government can also set maximum prices for fuel and private school tuition fees, and has done so several times in the last two years.

About one quarter of the goods and services included in the Consumer Price Index (CPI) are produced by state-controlled companies. As a result, the government retains considerable indirect control over pricing. While this distorts resource allocations in the domestic economy, it does not directly inhibit U.S. imports (with the exception of pharmaceuticals).

Tax Policies: Businesses complain about frequent changes in tax policies (there is a new tax law practically every year). Tax legislation passed in January 1998:

-- further tightened tax exemptions;

-- increased corporate tax rate from 35 to 40 percent for all corporations that have registered shares but do not trade them on the Athens Stock Exchange (this provided a tax subsidy to Greek firms based on their utilization of the Athens Stock Exchange);

-- increased tax rates on interest from Greek Government bonds and treasury bills from 7.5 to 10 percent;

-- imposed a duty on mobile phones based on the level of the phone bill;

-- and introduced a new tax (0.3 percent) on stock exchange transactions (previously untaxed).

4. Debt Management Policies

Greece's "General Government Debt" (the Maastricht Treaty definition) was 127.3 billion dollars, or 108.9 percent of GDP (market prices) in 1997 (end year). Foreign exchange reserves fluctuated in the first quarter of 1997 between 13.9 and 20.4 billion dollars or between 7 to 10 months of imports.

Servicing of external debt (public sector) in 1998 (interest and amortization) is estimated to equal 66.7 percent of exports and 6.6 percent of GDP. About 65 percent of the external debt is denominated in currencies other than the dollar. Foreign debt does not affect Greece's ability to import U.S. goods and services.

Greece has regularly serviced its debts and has generally good relations with commercial banks and international financial institutions. Greece is not a recipient of World Bank loans or International Monetary Fund programs. In 1985, and again in 1991, Greece received a balance of payments loan from the EU.

5. Significant Barriers to U.S. Exports

Greece, which is a WTO member, has both EU-mandated and Greek Government-initiated trade barriers.

Law: Greece maintains nationality-based restrictions on a number of professional and business services, including legal advice. These restrictions have been lifted in the recent years for EU citizens. U.S. companies can generally circumvent these barriers by employing EU citizens.

Accounting/Auditing: The transitional period for de-monopolization of the Greek audit industry officially ended on July 1, 1997. Numerous attempts to reserve a portion of the market for the former state audit monopoly during the transition period (1994-97) were blocked by the European Commission and peer review in the OECD. However, in November 1997, the Greek Government issued a presidential decree which reduced the competitiveness of the multinational auditing firms. The decree established minimum fees for audits, and imposed restrictions on utilization of different types of personnel in audits. It also prohibited audit firms from doing multiple tasks for a client, thus raising the cost of audit work. The government has defended these regulations as necessary to ensure the quality and objectivity of audits. In practical effect, the decree constitutes a step back from deregulation of the industry.

Aviation: The Greek flag air carrier, Olympic Airways, used to have a monopoly in providing ground handling services to other airlines. As of January 1, 1998, all major airports in the EU had to offer at least two ground handling options. However, in practice Olympic remains the only ground handling option for foreign airlines other than self-handling.

Motion Pictures: Greek film production is subsidized by a 12 percent admissions tax on all motion pictures. Moreover, enforcement of Greek laws protecting intellectual property rights for film, software, music, and books is problematic (see below).

Agricultural Products: Greece insists on testing U.S. wheat shipments for karnal bunt disease. It will not accept USDA certificates stating that wheat comes from areas free from the disease. The testing method used provides a high incidence of false positive results and thus serves as a de facto ban on imports of U.S. wheat.

Generally, Greece has not been responsive to applications for introduction of bioengineered (genetically modified) seeds for field tests despite support for such tests by Greek farmers. In 1998, some field tests for genetically modified cotton and BT corn took place.

Investment Barriers: Both local content and export performance are elements which are seriously taken into consideration by Greek authorities in evaluating applications for tax and investment incentives. However, they are not legally mandatory prerequisites for approving investments.

Greece, which currently restricts foreign and domestic private investment in public utilities (with the exception of cellular telephony and energy from renewable sources, e.g. wind and solar), has deregulation plans for telecommunications and energy. Greece has been granted a derogation until January 1, 2001 to open its voice telephony and the respective networks to other EU competitors. In the energy field, the Greek energy market will be gradually deregulated, starting in February 2001.

U.S. and other non-EU investors receive less advantageous treatment than domestic or other EU investors in the banking, mining, maritime, and air transport sectors, and in broadcasting (these sectors were opened to EU citizens due to EU single market rules). There are also restrictions for non-EU investors on land purchases in border regions and certain islands (on national security grounds).

Greek laws and regulations concerning government procurement nominally guarantee nondiscriminatory treatment for foreign suppliers. Officially, Greece also adheres to EU procurement policy, and Greece has adhered to the GATT Government Procurement Code since 1992. Nevertheless, many of the following problems still exist: occasional sole-sourcing (explained as extensions of previous contracts); loosely written specifications which are subject to varying interpretations; and allegiance of tender evaluators to technologies offered by longtime, traditional suppliers. Firms from other EU member states have had a better track record than U.S. firms in winning Greek Government tenders. It has been noted that U.S. companies submitting joint proposals with European companies are more likely to succeed in winning a contract. The real impact of Greece's "buy national" policy is felt in the government's offset policy (mostly for purchases of defense items) where local content, joint ventures, and other technology transfers are required.

In December 1996, the Greek Parliament passed legislation (Law 2446, article 16) which allows public utilities in the energy, water, transport, and telecommunications sectors to sign "term agreements" with local industry for procurement. "Term agreements" are contracts in which Greek suppliers are given significant preference. The official explanation for these agreements is the need to support the national manufacturing base. This was made possible as a result of Greece's receipt of an extension until January 1, 1998, to implement the EU's Utilities Directive 93/38. Before expiration of the extension, in November-December 1997, numerous contracts potentially worth of billions of dollars were signed by Greek public utilities with Greek suppliers. Some of these term agreements have no less than 3-5 years duration, thus effectively excluding foreign suppliers from vital sectors of government procurement for several years. The European Commission has been examining the hurried manner in which these contracts were approved.

6. Export Subsidies Policies

The government does not use national subsidies to support exports. However, some agricultural products (most notably cotton, olive oil, tobacco, cereals, canned peaches, and certain other fruits and vegetables) receive production subsidies from the EU which enhance their export competitiveness.

7. Protection of U.S. Intellectual Property

Greek laws extend protection of intellectual property rights to both foreign and Greek nationals. Greece is a party to the Paris Convention for the Protection of Industrial Property, the European Patent Organization, the World Intellectual Property Organization, the Washington Patent Cooperation Treaty, and the Berne Copyright Convention. As a member of the EU, Greece has harmonized its legislation with EU rules and regulations. The WTO TRIPS agreement was incorporated into Greek legislation as of February 28, 1995 (Law 2290/95).

Despite Greece's legal framework for and voiced commitment to copyright protection, piracy of copyrighted material, especially audio-visual works for television, has continued. Greece took an important step toward addressing this problem by enacting a new Copyright Law in February 1993 (Law 2121/93), which offers a high standard of protection for all copyrighted works. Furthermore, Law 2328/95 (voted in the summer of 1995 and effective as of August 3, 1995) establishes a new systematic legal framework for the radio-television market, whose anarchic development encouraged copyright piracy. However, that law is not yet fully implemented.

The inability of rights holders to obtain effective action against TV stations pirating copyrighted works resulted in Greece being elevated in December 1994 to the USTR's "Priority Watch List" under the "Special 301" provision of the 1988 Trade Act. Just prior to an out-of-cycle review in December 1996, the government presented an "Action Plan" of specific steps it would take by April 1997 to reduce audio-visual piracy. While some of these steps were taken, the government lagged behind in licensing television stations in accordance with the provisions of the 1995 Media Law. The process, while finally underway after extremely long delays, was less than halfway through in October 1998. As a result, the U.S. government launched a WTO TRIPS non-enforcement challenge and consultations under WTO auspices were started in June 1998. Those consultations are continuing.

Although Greek trademark legislation is fully harmonized with that of the EU, another intellectual property protection problem is the lack of effective protection of trademarks, particularly in the apparel sector. Claims by U.S. companies of counterfeiting appear to be on the increase.

Intellectual property appears to be adequately protected in the field of patents. Patents are available for all areas of technology. Compulsory licensing is not used. Patents and trade secrets are protected by law for a period of twenty years. There is a potential problem concerning the protection of test data relating to non-patented products. Violations of trade secrets and semiconductor chip layout design are not problems in Greece.

8. Worker Rights

The Greek economy is characterized by significant labor-market rigidities. Greek labor law prohibits laying off more than two percent per month of total personnel employed by a firm. This restricts the flexibility of firms and the mobility of Greek labor and contributes to unemployment.

a. The Right of Association: Approximately 30 percent of Greek workers are organized in unions, most of which tend to be highly politicized. While unions show support for certain political parties, particularly on issues of direct concern to them, they are not controlled by political parties or the government in their day-to-day operations. The courts have the power to declare strikes illegal, although such decisions are seldom enforced.

Employers are not permitted to lock out workers, or to replace striking workers (public sector employees under civil mobilization may be replaced on a temporary basis).

b. The Right to Organize and Bargain Collectively: The right to organize and bargain collectively was guaranteed in legislation passed in 1955 and amended in February 1990 to provide for mediation and reconciliation services prior to compulsory arbitration. Antiunion discrimination is prohibited, and complaints of discrimination against union members or organizers may be referred to the Labor Inspectorate or to the courts. However, litigation is lengthy and expensive, and penalties are seldom severe. There are no restrictions on collective bargaining for private workers. Social security benefits are legislated by parliament and are not won through bargaining. Civil servants who currently do not have a formal system of collective bargaining, negotiate their demands with the Ministry for Public Administration. New legislation which will come into force in 1999 provides for collective bargaining rights for the Civil Service. The new legislation ratified ILO Conventions 151 and 154.

c. Prohibition of Forced or Compulsory Labor: Forced or compulsory labor is strictly prohibited by the Greek Constitution and is not practiced. However, the government may declare "civil mobilization" of workers in case of danger to national security or to social and economic life of the country.

d. Minimum Age of Employment of Children: The minimum age for work in industry is 15, with higher limits for certain activities.

e. Acceptable Conditions of Work: Minimum standards of occupational health and safety are provided for by legislation, which the General Confederation of Greek Workers (GSEE) characterizes as satisfactory. In 1998, GSEE complaints regarding inadequate enforcement of legislation were met when the Ministry of Labor established a new central authority, the Labor

Inspectors Agency. The agency is accountable to the Minister of Labor and has extended powers which include the power to close a factory that does not comply with minimum standards of health and safety.

Legislation providing for the legalization of illegal immigrants came into force in January 1998. About 350,000 illegal immigrants were registered and will be entitled to one to three-year renewable work and residence permit. Those issued a permit will have the same labor and social security rights as Greek workers. Non-registered immigrants will be liable to summary deportation if arrested.

f. Rights in Sectors with U.S. Investment: Although labor/management relations and overall working conditions within foreign business enterprises may be among the most progressive in Greece, worker rights do not vary according to the nationality of the company or the sector of the economy.

Extent of U.S. Investment in Selected Industries -- U.S. Direct Investment Position Abroad on an Historical Cost Basis **--** 1997

(Millions of U.S. Dollars)

Category		Amount
Petroleum		71
Total Manufacturing		115
Food & Kindred Products	-9	
Chemicals & Allied Products	77	
Primary & Fabricated Metals	0	
Industrial Machinery and Equipment	0	
Electric & Electronic Equipment	(1)	
Transportation Equipment	0	
Other Manufacturing	(1)	
Wholesale Trade		94
Banking		154
Finance/Insurance/Real Estate		108
Services		56
Other Industries		40
TOTAL ALL INDUSTRIES		638

(1) Suppressed to avoid disclosing data of individual companies.

Source: U.S. Department of Commerce, Bureau of Economic Analysis.